Written Statement of Nina Albert, Commissioner of the Public Buildings Service

Before the House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings, and Emergency Management

Title: "When the Lights Are On But No One's Home: An Examination of Federal Office Space Utilization"

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Good morning, Chairman Perry, Ranking Member Titus, and distinguished Members of the Subcommittee. My name is Nina Albert, and I am the Commissioner of the Public Buildings Service at the U.S. General Services Administration (GSA). I appreciate the Committee's invitation to discuss opportunities to achieve long-term cost savings by right-sizing the Federal real estate footprint and by improving our real estate assets to align building utilization with mission delivery.

I had the honor of appearing before this subcommittee in June of 2022 and again in March of this year at the Chairman's roundtable discussion. Today, I am prepared to talk about how office real estate owners and occupiers are evaluating space utilization, and how strategies to right-size of the Federal footprint can be accelerated by GSA gaining full access to annual collections that are deposited into the Federal Buildings Fund and on streamlining GSA's authorities to maintain and dispose of real estate.

The pandemic highlighted the need for operational resilience and our ability to work with customer agencies to support their many different mission needs and types of work. And many agencies—including GSA—have since realized that they can adapt their workplaces to more effectively and cost-efficiently carry out their missions. As the

Government’s largest civilian real estate provider, GSA will play a key role in helping agencies to redefine their space requirements and in facilitating the Federal Government’s transition to what is likely to be a smaller real estate footprint.

Since 2021, as directed by OMB memos M-21-25 and M-23-15, agencies have been evaluating how work environments can be structured to enhance mission delivery while strengthening their organizations for the future—including evaluating the impacts of telework and other operational policies on agencies’ performance of their missions. As these evaluations are completed, agencies will have a better understanding about their approach to the workplace and future space requirements. Once these new requirements are in hand, GSA is prepared to leverage its expertise and experience to help agencies optimize their real estate needs. However, support for GSA’s full fiscal year (FY) 2024 budget request—including legislative reforms and the agency’s $2.3 billion request for capital program investments—is critical to help address these concerns.

GSA’s proposed FY 2024 projects include essential infrastructure work and necessary alterations—not only to improve building operability, but also to improve agency utilization and mission achievement. If left unaddressed, these projects can lead to issues which may negatively impact the ability of our customer agencies to carry out their missions, to the detriment of the citizens and communities they are seeking to serve. Deferring this work does not eliminate the need for the work; rather, continued delays further exacerbate these problems and repairs often turn into more costly repairs or replacements, with the potential for system failures that result in cascading impacts to occupant agency missions. It also delays consolidation plans, forcing the Government to carry space that is being underutilized. All of these things increase costs to the Federal Government, especially when we are forced to make more costly emergency repairs or delay consolidations. In the most extreme cases, these delays have led to forced temporary relocations until the repairs were able to be completed.

For example, in FY 2023, 8 of the 17 Major Repairs and Alterations line item projects that GSA requested were resubmissions from a prior year's budget request that were not funded when previously submitted. Many of these unfunded projects would have directly supported increased building utilization. The collective total cost for those 8 projects was $122 million above the amounts needed when originally submitted in prior fiscal years. In FY 2024, 13 out of 17 Major Repairs and Alterations projects proposed are resubmittals; collectively, the total costs for those projects is now $300 million higher than the aggregate projects cost when submitted in prior fiscal years. In addition to funding requests for building operations, maintenance, and alterations, GSA's FY 2024 budget request includes a proposal to ensure that GSA is provided full access to the annual revenues and collections that are deposited into the Federal Buildings Fund. GSA is also proposing an increase to the prospectus threshold from $3.613 million to $10 million. Taken together, these proposals work to reduce timelines for project delivery, support improved building utilization rates, and provide better services to Federal agencies and the communities they serve.

Support for GSA's full FY 2024 budget request—including the $2.3 billion requested for capital program investments and the $50 million requested to support the Consolidation Activities Special Emphasis Program—will enable GSA to help address many of the long-standing concerns raised by this Committee. This will also allow GSA to invest in Federally-owned properties and optimize their configuration and performance to reduce the reliance on privately-owned space, ultimately helping GSA to deliver the best value in real estate to our partners across government.

It is critical that GSA receive full access to the Federal Buildings Fund in order to reinvest in the Federally-owned portfolio. There are significant opportunities across the GSA portfolio where consistent and adequate funding can be used to drive real estate savings. For example, in FY 2024, GSA collected approximately $10.7 billion in agency rental payments and other revenues that were deposited into the Federal Buildings Fund. Of that, approximately $5.7 billion (or just over half) will be passed through as rental payments to private sector lessors. While leasing will always be a vital element of GSA's real estate strategy, even a 20% reduction in the overall amount spent on private sector leases represents potentially $1 billion annually in avoided rent costs. With full access to its annual collections, GSA could properly invest in Federally-owned properties and make this transition successful.

In order to reduce the timeline for project delivery and provide better value to Federal agency customers, GSA is also proposing an increase to the prospectus threshold in section 3307 of Title 40 from $3.613 million to $10 million. The higher threshold will allow GSA to more quickly tackle many routine repair projects that exceed our current threshold. This proposal also helps to reduce repair costs and prevent smaller repair projects from growing into larger, more expensive replacements. And the higher threshold will allow Congress to remain engaged on the most costly and complex transactions. As noted in the FY 2024 budget request, GSA conservatively estimates that increasing the prospectus threshold will yield over $50 million in annual rent cost avoidance.

As GSA works to optimize and consolidate its portfolio, there will be some properties that are no longer needed in the Federal inventory and which should be disposed of. To help accelerate the disposition of underutilized real estate, GSA's FY 2024 budget request includes a legislative proposal to expand allowable uses of the Expenses, Disposal of Surplus Real and Related Personal Property appropriation, permanently authorized under section 572(a) of Title 40. The expanded authority will allow GSA to better assist agencies in identifying and preparing real property for disposition prior to the agency declaring a property excess. This will allow GSA to help agencies right-size their portfolios by providing the resources and support necessary to assess, prepare, and accelerate underutilized property for disposition using the Disposal Fund rather than agency base resources with repayment of costs through disposal proceeds.

GSA has a long track record of optimizing space utilization. As one example involving our own space, in the past 12 years, GSA has successfully executed two separate consolidations of the Federal Acquisition Service and National Capital Region offices from numerous other locations across the Washington, DC, area into our headquarters facility at 1800 F Street. These moves have yielded significant operational benefits to the agency, and they have also resulted in a 350,000 square foot reduction in the amount of space we occupy—reducing energy consumption by 50% below our previous baseline, and saving $24 million in rent payments annually. These consolidations were catalyzed in part by funding that GSA received in the American Recovery and Reinvestment Act.

GSA and Federal agency alignment around the opportunity to right-size the Federal real estate portfolio into one that is a high-performing, more efficient, and physically smaller than today's inventory has never been better. Portfolio-wide, GSA has helped to reduce the footprint of tenant agencies housed in office buildings in GSA's custody and control by disposing of almost 12 million owned square feet and reducing 14 million square feet of leased space since 2013. With approximately half of the value of our leased portfolio expiring within the next five years, we can seize this opportunity—but only if we are able to make the necessary investments in our owned portfolio.

I would like to thank this Committee again for its willingness to address these issues and for being a critical partner as we work to modernize and right-size Federal facilities. Thank you for the opportunity to testify before you today and I look forward to answering any questions the Committee may have at this time.